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THE RELATIONSHIP BETWEEN EXECUTIVE CASH COMPENSATION AND CORPORATE GOVERNANCE, INCOME SMOOTHING, DISCRETIONARY ACCRUALS AND FIRM VALUE

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ABSTRACT

The disclosure of executive compensation arrangements in annual reports would allow investors and other interested parties to make informed judgements about manager motivation and commitment to maximize shareholder wealth. This study examines the relationship between Executive cash compensation, corporate governance, Income smoothing, Discretionary accruals, and firm value in companies listed on the Tehran Stock Exchange.Statistical population of this study is Iran-Tehran Stock Exchange during 2013-2017.The results showed that Corporate Governance has a Negative and Significant Impact on Executive cash compensation. Executive cash compensation does not have a significant negative effect on Income smoothing andExecutive cash compensation does not have a positive and significant effect on Discretionary accruals. And, Executive cash compensation has a significant effect on decreasing Firm value.

Keywords: *executive cash compensation, corporate governance, income smoothing, discretionary accruals*

INTRODUCTION

The disclosure of executive compensation arrangements in annual reports would allow investors and other interested parties to make informed judgements about manager motivation and commitment to maximize shareholder wealth (Deegan, 2004). High quality disclosures would provide a signal of transparency, and would enhance managers' reputation (Simnett et al., 2009). Information about the structure and nature of manager bonuses and stock option schemes would reduce uncertainty, and would earn the company a competitive advantage. Transparency would therefore entail multiple benefits for the company including lower cost of equity (Chao et al. 2015) and higher manager value and prospects. Chaigneau (2018) argues that the timing of executive compensation is closely related to when the stock price best captures and reflects managers' actions and performance. Corporate governance plays a significant role in closing the information gap between managers and stakeholders (Nasser Abdallah and Ismail 2017). According to Chen et al. (2015), increased board independence leads to lower earnings manipulation. The size of the board is also vital. According to Gao et al. (2017), board size is related to abnormal turnover in companies with higher fraud rates. The potential opportunistic behavior that might be expressed by managers is likely to be associated with the private information that they possess and which they might use to the detriment of investors and for their own benefit. CEO overconfidence may be motivated by the motive to

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maximize the value of the firm and the market valuation of the firm (Yu 2008). However, Ham et al. (2005) have found that CEO overconfidence or arrogance is positively related to earnings manipulation, less timely loss recognition, and more frequent accounting restatements. Likewise, Ahmed and Duellman (2013) have reported a negative association between managers' overconfidence and timely loss recognition, and earnings conservatism.

Statement of the problem

In their effort to attract high quality managers and show that they appreciate high managerial performance, firms would be inclined to pay higher executive compensation (see also Banker et al. 2013). It follows that higher managerial performance would be appreciated by market participants and would subsequently lead to higher stock valuations. On the other hand, any conflict of interest between employers and shareholders because of employers' motivation to implement opportunistic policies and influence their bonus payments could adversely affect firm stock valuation (see also Jung et al. 2012). In a similar vein, higher executive compensation might come from the absence of effective corporate governance mechanisms or the outcome of earnings manipulations. In this case, higher executive compensation would be associated with higher agency costs and lower firm stock valuation. Companies with more effective corporate governance would be expected to link executive compensation to executive performance (Abbott et al. 2004, Carcello et al. 2011). Thus, shareholders would be expected to ask for lower executive compensation in companies with lower executive performance scores. It should also be noted that Ghosh (2006) has found that executive compensation is linked to current year performance, while the compensation of the board tends to be affected by past year financial performance as well. On the other hand, Core et al. (1999) and Davila and Penalva (2006) argue that weaker corporate governance is linked to less variable executive compensation and more frequent cash payments.

Literature Review

Iatridis (2018) examined the association between executive compensation and corporate governance, income smoothing, discretionary accruals and firm value.This study showed that executive cash compensation is negatively associated with corporate governance.

Safa Lazzem et al. (2017) in a study entitled "The Impact of Financial Leverage on Interest Management through Accreditation of French Institutions Study", showed that the financial leverage of firms has a positive effect on the interest management in French firms.

Gombola et al. (2016) in a study entitled "The Impact of Financial Leverage and Liquidity on Interest and Capital Management"suggested that high-performing firms are more likely to perform interest management activities when debt increases.

Chen et al. (2015) provided evidence that there is a positive relationship between CEO motivation and audit costs. Researchers concluded that the relationship between CEO motivation and audit costs in firms at higher risk faces petitionwould increase.

Kannan et al. (2014) realized that CEO and financial incentives had a positive relationship with audit costs, but the same researchers also concluded that CEO change over the past year and financial manager with audit costs don't have any relationships.

Data

The statistical population of this research included all institutions listed in Tehran Stock Exchange, that have been active in the stock exchange from the beginning of the year 2013 to the end of 2017. In this regard, the statistical sample of this research included all companies that had the following conditions:

1. During the years 2013 to the end of the financial year 2017 in stock.
2. The Institute not to be one of the banks, Institute of investment, mediation, insurance and monetary and financial institutions. Because the nature of the operation of these institutes is different from other institutions.
3. The financial year of them ended in March each year, and during the above period, their financial year did not change.
4. In all the studied years, the end of the financial year information and data required were available.

Research Hypotheses

1) Corporate Governance has a significant and negative impact on theExecutive cash compensation.
2) Executive cash compensation has a significant negative effect on interest smoothing.
3) Executive cash compensation has a positive and significant effect on Discretionary accruals.
4) Executive cash compensation has a significant effect on Firm value Decrease

Research Model

The first hypothesis test model:

$$\begin{aligned}\text{incomp}_{it} = {} & \alpha_0 + \beta_1 CG_{it} + \beta_2 r_{it} + \beta_3 br_{it} + \beta_4 \Delta oi_{it} + \beta_5 \text{negoi}_{it} + \beta_6 \Delta cf_{it} + \beta_7 \text{negcf}_{it} \\ & + \beta_8 l1cf_{it} + \beta_9 11negcf_{it} + \beta_{10} \text{lnMV}_{it} + \beta_{11} \text{Debt}_{it} + \beta_{12} \text{growth}_{it} + \beta_{13} \text{Age}_{it} \\ & + \beta_{14} E_{it} + \beta_{15} \text{l1eps}_{it} + \beta_{16} \text{Eps}_{it} + \beta_{17} \text{eps3}_{it} + \beta_{18} \text{r3}_{it} + \beta_{19} \text{Beta}_{it} + \beta_{20} \text{BM}_{it} \\ & + \beta_{21} \text{Loss}_{it} + \beta_{22} Dac_{it} + \beta_{23} Ppe_{it} + \beta_{24} mva_{it} + \beta_{25} S\&A_{it} + \beta_{26} Opa_{it} \\ & + \beta_{27} lnsales_{it} + \varepsilon_{it}\end{aligned}$$

The second hypothesis test model:

$$\begin{aligned}\text{insm}_{it} = {} & \alpha_0 + \beta_1 \text{incomp}_{it} + \beta_2 r_{it} + \beta_3 br_{it} + \beta_4 \Delta oi_{it} + \beta_5 \text{negoi}_{it} + \beta_6 \Delta cf_{it} + \beta_7 \text{negcf}_{it} \\ & + \beta_8 l1cf_{it} + \beta_9 11negcf_{it} + \beta_{10} \text{lnMV}_{it} + \beta_{11} \text{Debt}_{it} + \beta_{12} \text{growth}_{it} + \beta_{13} \text{Age}_{it} \\ & + \beta_{14} E_{it} + \beta_{15} \text{l1eps}_{it} + \beta_{16} \text{Eps}_{it} + \beta_{17} \text{eps3}_{it} + \beta_{18} \text{r3}_{it} + \beta_{19} \text{Beta}_{it} + \beta_{20} \text{BM}_{it} \\ & + \beta_{21} \text{Loss}_{it} + \beta_{22} Dac_{it} + \beta_{23} Ppe_{it} + \beta_{24} mva_{it} + \beta_{25} S\&A_{it} + \beta_{26} Opa_{it} \\ & + \beta_{27} lnsales_{it} + \varepsilon_{it}\end{aligned}$$

The third hypothesis test model:

$$\begin{aligned}\text{Dac}_{it} = {} & \alpha_0 + \beta_1 \text{incomp}_{it} + \beta_2 r_{it} + \beta_3 br_{it} + \beta_4 \Delta oi_{it} + \beta_5 \text{negoi}_{it} + \beta_6 \Delta cf_{it} + \beta_7 \text{negcf}_{it} \\ & + \beta_8 l1cf_{it} + \beta_9 11negcf_{it} + \beta_{10} \text{lnMV}_{it} + \beta_{11} \text{Debt}_{it} + \beta_{12} \text{growth}_{it} + \beta_{13} \text{Age}_{it} \\ & + \beta_{14} E_{it} + \beta_{15} \text{l1eps}_{it} + \beta_{16} \text{Eps}_{it} + \beta_{17} \text{eps3}_{it} + \beta_{18} \text{r3}_{it} + \beta_{19} \text{Beta}_{it} + \beta_{20} \text{BM}_{it} \\ & + \beta_{21} \text{Loss}_{it} + \beta_{22} Dac_{it} + \beta_{23} Ppe_{it} + \beta_{24} mva_{it} + \beta_{25} S\&A_{it} + \beta_{26} Opa_{it} \\ & + \beta_{27} lnsales_{it} + \varepsilon_{it}\end{aligned}$$

The fourth hypothesis test model:

$$R - Rp_{it} = \alpha_0 + \beta_1 incomp_{it} + \beta_2 r_{it} + \beta_3 br_{it} + \beta_4 \Delta oi_{it} + \beta_5 negoi_{it} + \beta_6 \Delta cf_{it} + \beta_7 negcf_{it} + \beta_8 l1cf_{it} + \beta_9 11negcf_{it} + \beta_{10} lnMV_{it} + \beta_{11} Debt_{it} + \beta_{12} growth_{it} + \beta_{13} Age_{it} + \beta_{14} E_{it} + \beta_{15} l1eps_{it} + \beta_{16} Eps_{it} + \beta_{17} eps3_{it} + \beta_{18} r3_{it} + \beta_{19} Beta_{it} + \beta_{20} BM_{it} + \beta_{21} Loss_{it} + \beta_{22} Dac_{it} + \beta_{23} Ppe_{it} + \beta_{24} mva_{it} + \beta_{25} S\&A_{it} + \beta_{26} Opa_{it} + \beta_{27} lnsales_{it} + \varepsilon_{it}$$

As you can see, the details of the research variables are described in Table 1.

Table 1. Research Variables

Brief variable name (According to model)	Full variable name	Variable measurement method
Incomp	executive cash compensation	is executive cash compensation scaled by the natural logarithm of total turnover
R-Rp	Return -returns of the portfolio	R is the stock return; Rp is returns of the portfolio matched with each sample firm based on size and book to market value as in Fama and French (1993) (see Jung et al.2012);
Dac	discretionary accruals	The study uses the residuals of the following model as discretionary accruals (see also Kothari et al. 2004; Garza-Gomez et al. 2006). $TA_{i,t}/A_{i,t-1} = \alpha_0 (1/A_{i,t-1}) + \alpha_1(\Delta REV_{i,t}/A_{i,t-1}) + \alpha_2(PPE_{i,t}/A_{i,t-1}) + \alpha_3(ROA_{i,t-1}) + u_{i,t} + \varepsilon_{i,t}$
Insm	income smoothing	According to Sun (2011), the measure of income smoothing, insm, is obtained as follows. First, the discretionary accruals, dac, are estimated using the modified Jones model . The study uses the residuals of the following model as discretionary accruals (see also Kothari et al. 2004; Garza-Gomez et al. 2006).
CG	Corporation Government	The hybrid corporate governance variable contains a set of corporate governance items: Employers' independence Employer duality Change agency management Number of Board Members Major contributors
Ind	independent directors	is the percentage of independent directors on the board
Dual	Duality CEO	is a dummy variable that takes 1 if the CEO and chairman is not the same person and 0 otherwise
Mgtchange	CEO change	is a dummy variable that takes 1 if the CEO has changed and 0 otherwise
Board	Board	is the number of directors on the board

Block	Shareholders	is the percentage of outstanding shares owned by shareholders that hold more than 5% of the share capital
Bigau	big auditor	is a dummy variable that takes 1 for firms that are audited by a big 4 auditor and 0 otherwise
R	Return	R is the stock return
Br	Negative Return	is a dummy variable that takes 1 if r is negative and 0 otherwise
Δoi	Change Operation income	is the change in operating income scaled by total assets
Negoi	Negative Change Operation income	is a dummy variable that takes 1 if Δoi is negative and 0 otherwise
Δcf	change in net cash flows	is the change in net cash flows from operating activities scaled by total assets
Negcf	Negative change in net cash flows	is a dummy variable that takes 1 if Δcf is negative and 0 otherwise
l1cf	Lagged change in net cash flows	is 1 year lagged Δcf
l1negcf	Negative Lagged change in net cash flows	is a dummy variable that takes 1 if l1cf is negative and 0 otherwise
lnMV	Ln Market Value	is the natural logarithm of market value of equity
Debt	Debt	is total debt scaled by total assets
Growth	Growth	is market to book value
Age	Age	is the natural logarithm of the number of years since firm foundation
E	Error	is the error term
l1eps	Lagged Earnings per share	is 1 year lagged earnings per share scaled by the stock price at the beginning of the year
Eps	Earnings per share	is the earnings per share scaled by the stock price at the beginning of the year
eps3	Earnings per share 3 years future	is the sum of earnings per share in years t + 1, t + 2 and t + 3 scaled by the stock price at the beginning of year t
r3	Return future three years later	is the annually compounded stock return for years t + 1, t + 2 and t + 3
Beta	Beta	is the beta coefficient as obtained from DataStream
BM	book to market value of equity	is book to market value of equity
Loss	Loss	is a dummy variable that takes 1 for loss-making firms and 0 otherwise
Dac	discretionary accruals	(see also Kothari et al. 2004)
Ppe	net property plant	is property, plant and equipment

	and equipment	
mva	market value	is market value of assets scaled by total assets
S&A	selling, general and administrative expenses	is selling, general and administrative expenses scaled by sales
Opa	Operating profit to assets	is operating profit scaled by lagged total assets
lnsales	logarithm of sales	is the natural logarithm of sales

The results of the research hypothesis

The first hypothesis test

Corporate Governance has a significant and negative impact on the Executive cash compensation.

H_0: Corporate Governance does not have a significant and negative impact on the Executive cash compensation.

H_0: $\beta i = 0$

H_1: Corporate Governance has a significant and negative impact on the Executive cash compensation.

H_1: $\beta i \neq 0$

Whether it is possible to determine whether the use of panel data approach would be effective in estimating the model is determined by the Fixed Effects Tests and the Hausman test is used to detect fixed or random effects.

According to the results of Fixed Effects test and P-value (0.0000), the H_0 hypothesis test at the level of confidence 95% rejected, andPanel Data approach can be used. Also, according to the results of hausman test and P-value (0.0003) is less than (0.05), so the H_0 hypothesis test at the level of confidence 95% was rejected, and the H_1 hypothesis was accepted. Therefore, the fixed effects approach were used. The results of these tests are presented in Table 2 and Table 3.

Table 2. Redundant Fixed Effects Tests of Model 1

Effects Test	Statistic	df.	Prob.
Cross-section F	4.311774	(160,461)	0.0000

Table 3. Correlated Random Effects - Hausman Test of Model 1

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	51.049435	21	0.0003

The amount of P-value related to the statistics Prob (F-statistic) that expresses the meaningfulness of the regression is equal to 0.000000, and indicates that the level of confidence model 99% meaningful. Also, the Durbin-Watson Test of 1.5 to 2. 5 is appropriate. Due to the Surface significant, variable (Corporate Governance), which is equal to (0. 0132) which is less than 0. 05, therefore, the first research hypothesis is confirmed. And it can be said: Corporate Governance has a significant and negative impact on the Executive cash compensation. The results of these tests are presented in Table 4.

Table 4. Model 1, Dependent Variable: INCOMP, Method: Panel EGLS (Cross-section weights)

Dependent Variable: INCOMP				
Method: Panel EGLS (Cross-section weights)				
Date: 08/31/19 Time: 18:11				
Sample (adjusted): 2013 2017				
Periods included: 4				
Cross-sections included: 161				
Total panel (balanced) observations: 644				
Iterate coefficients after one-step weighting matrix				
Convergence achieved after 17 total coef iterations				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CG	-0.001674	0.000673	-2.487942	0.0132
BR	0.021813	0.009988	2.183937	0.0295
CHANGE_OI	-1.37E-09	7.14E-10	-1.919638	0.0555
NEGOI	-0.024892	0.006893	-3.611159	0.0003
CF	2.29E-11	1.03E-09	0.022208	0.9823
_11NEGCF	0.022330	0.007922	2.818694	0.0050
CF_1	5.80E-12	9.06E-10	0.006395	0.9949
CHANGE_CF	-0.015459	0.007185	-2.151641	0.0319
LNMV	-0.000691	0.003964	-0.174247	0.8617
DEBT	-0.022485	0.019577	-1.148562	0.2513
GROWTH	-0.000169	4.64E-05	-3.641614	0.0003
EPS	7.13E-06	1.00E-05	0.711081	0.4774
EPS_1	-5.52E-06	8.82E-06	-0.626151	0.5315
EPS_2	2.29E-05	8.62E-06	2.655671	0.0082
R3	-0.004596	0.004862	-0.945269	0.3450
LOSS	0.084626	0.037193	2.275326	0.0233
PPE	2.30E-10	6.76E-10	0.339729	0.7342
MVA	0.011869	0.006218	1.908754	0.0569
SALE_ADMIN	-1.76E-09	2.45E-09	-0.717839	0.4732
OPA	0.000512	0.001121	0.456822	0.6480
INSALES	-0.021729	0.011073	-1.962322	0.0503
C	3.845857	0.197402	19.48237	0.0000
AR(1)	0.383638	0.031768	12.07627	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
	Weighted Statistics			
R-squared	0.999404	Mean dependent var		14.98465
Adjusted R-squared	0.999168	S.D. dependent var		25.74074
S.E. of regression	0.795129	Sum squared resid		291.4581
F-statistic	4244.152	Durbin-Watson stat		2.189913
Prob(F-statistic)	0.000000			
	Unweighted Statistics			
R-squared	0.934678	Mean dependent var		3.487191
Sum squared resid	538.0347	Durbin-Watson stat		2.352934
Inverted AR Roots	.38			

The second hypothesis test

Executive cash compensation has a significant negative effect on interest smoothing.

H_0: Executive cash compensation does not have a significant negative effect on interest smoothing compensation.

H_0: $\beta i = 0$

H_1: Executive cash compensation has a significant negative effect on interest smoothing.

H_1: $\beta i \neq 0$

According to the results of Fixed Effects test and P-value (0.0000), the H_0 hypothesis test at the level of confidence 95% was rejected and Panel Data approach can be used. Also, according to the results of hausman test, P-value (0.9956) was more than (0.05), so the H_0 hypothesis test at the level of confidence 95% was accepted, and the H_1 hypothesis was rejected. Given that the level of no significant regression model with random effects, so it is ameaningful model using fixed effects approach. The results of these tests are presented in Table 5 and Table 6.

Table 5. Redundant Fixed Effects Tests of Model 2

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.271951	(160,623)	0.0000

Table 6. Correlated Random Effects - Hausman Test of Model 2

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	7.887064	21	0.9956

The amount of P-value related to the statistics Prob (F-statistic) that expresses the meaningfulness of the regression is equal to 0.000000 and indicates that the model is meaningful at the level of confidence of 99%. Also, the Durbin-Watson Test of 1.5 to 2. 5 is appropriate. Due to the Surface significant, variable (Executive cash compensation), which is equal to (0. 3973) which is more than 0. 05, it can be said: Executive cash compensation does not have a significant negative effect on interest smoothing. The results of these tests are presented in Table 7.

Table 7. Model 2, Dependent Variable: INSM, Method: Panel EGLS (Cross-section weights)

Dependent Variable: INSM				
Method: Panel EGLS (Cross-section weights)				
Date: 08/31/19 Time: 19:03				
Sample: 2013 2017				
Periods included: 5				
Cross-sections included: 161				
Total panel (balanced) observations: 805				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INCOMP	-0.002942	0.003474	-0.847045	0.3973
BR	0.015938	0.008687	1.834744	0.0670
CHANGE_OI	2.41E-09	2.42E-09	0.995134	0.3201
NEGOI	-0.000716	0.007602	-0.094241	0.9249

CF	-3.02E-09	1.94E-09	-1.557057	0.1200
_11NEGCF	0.002774	0.007579	0.366004	0.7145
CF_1	8.48E-10	1.55E-09	0.545669	0.5855
CHANGE_CF	-0.018592	0.007606	-2.444384	0.0148
LNMV	0.000848	0.003473	0.244023	0.8073
DEBT	0.007774	0.010206	0.761677	0.4465
GROWTH	5.89E-05	7.73E-06	7.618950	0.0000
EPS	-1.83E-05	4.62E-06	-3.963419	0.0001
EPS_1	-1.38E-05	4.74E-06	-2.910708	0.0037
EPS_2	-1.14E-06	4.00E-06	-0.284985	0.7758
R3	-0.003479	0.004266	-0.815544	0.4151
LOSS	0.026657	0.016229	1.642550	0.1010
PPE	-1.32E-09	1.32E-09	-0.997695	0.3188
MVA	-0.010506	0.005306	-1.980079	0.0481
SALE_ADMIN	4.07E-09	9.32E-09	0.436946	0.6623
OPA	-0.004041	0.002407	-1.678811	0.0937
INSALES	0.006038	0.004079	1.480176	0.1393
C	0.069238	0.087081	0.795097	0.4269
	Effects Specification			
Cross-section fixed (dummy variables)				
	Weighted Statistics			
R-squared	0.438638	Mean dependent var		0.036259
Adjusted R-squared	0.275546	S.D. dependent var		0.260447
S.E. of regression	0.217636	Sum squared resid		29.50869
F-statistic	2.689506	Durbin-Watson stat		2.428694
Prob(F-statistic)	0.000000			
	Unweighted Statistics			
R-squared	0.256831	Mean dependent var		-0.000545
Sum squared resid	31.23832	Durbin-Watson stat		2.234796

The third hypothesis test

Executive cash compensation have a positive and significant effect on Discretionary accruals.

H_0: Executive cash compensation does not have a positive and significant effect on Discretionary accruals.

H_0: $\beta i = 0$

H_1: Executive cash compensation have a positive and significant effect on Discretionary accruals.

H_1: $\beta i \neq 0$

According to the results of Fixed Effects test and P-value (0.0000), the H_0 hypothesis test at the level of confidence 95% was rejected and expresses that Panel Data approach can be used. Also, according to the results of hausman test and P-value (0.4775) which is more than (0.05), so the H_0 hypothesis test at the level of confidence 95% was accepted, and the H_1 hypothesis was rejected. Given that the level of no significant regression model with random effects, so it

is a meaningful model using fixed effects approach. The results of these tests are presented in Table 8 and Table 9.

Table 8. Redundant Fixed Effects Tests of Model 3

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.665804	(160,623)	0.0000

Table 9. Correlated Random Effects - Hausman Test of Model 3

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	20.697600	21	0.4775

The amount of P-value related to the statistics Prob (F-statistic) that expresses the meaningfulness of the regression is equal to 0.000000 and indicates that the level of confidence model is 99% meaningful. Also, the Durbin-Watson Test of 1.5 to 2. 5 is appropriate. Due to the Surface significant, variable (Executive cash compensation), which is equal to (0. 0005) that less than 0. 05; But the T- statistics and Executive cash compensation has been negative. And, it can be said: Executive cash compensation does not have a positive and significant effect on Discretionary accruals. The results of these tests are presented in Table 10.

Table 10. Model 3, Dependent Variable: DAC, Method: Panel EGLS (Cross-section weights)
Model 3

Dependent Variable: DAC				
Method: Panel EGLS (Cross-section weights)				
Date: 08/31/19 Time: 18:15				
Sample: 2013 2017				
Periods included: 5				
Cross-sections included: 161				
Total panel (balanced) observations: 805				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INCOMP	-0.016083	0.004606	-3.491489	0.0005
BR	0.016047	0.010097	1.589219	0.1125
CHANGE_OI	-6.00E-09	4.38E-09	-1.368789	0.1716
NEGOI	0.002717	0.008618	0.315318	0.7526
CF	-3.58E-09	4.38E-09	-0.817523	0.4139
_11NEGCF	0.011832	0.008828	1.340333	0.1806
CF_1	3.55E-09	3.12E-09	1.139067	0.2551
CHANGE_CF	-0.012497	0.008815	-1.417614	0.1568
LNMV	-0.000721	0.004353	-0.165732	0.8684
DEBT	-0.020044	0.023749	-0.843999	0.3990
GROWTH	-1.02E-05	1.20E-05	-0.849923	0.3957
EPS	2.90E-06	6.25E-06	0.463912	0.6429
EPS_1	1.06E-05	7.01E-06	1.515790	0.1301
EPS_2	-3.05E-06	6.86E-06	-0.444159	0.6571
R3	-0.006828	0.005791	-1.179018	0.2388

LOSS	0.111664	0.025873	4.315816	0.0000
PPE	8.03E-10	1.81E-09	0.444586	0.6568
MVA	-0.004573	0.006571	-0.695861	0.4868
SALE_ADMIN	-6.66E-09	1.41E-08	-0.472272	0.6369
OPA	-0.018592	0.002552	-7.285017	0.0000
INSALES	0.004542	0.008806	0.515829	0.6062
C	0.052471	0.119304	0.439812	0.6602
	Effects Specification			
Cross-section fixed (dummy variables)				
	Weighted Statistics			
R-squared	0.466123	Mean dependent var		0.012201
Adjusted R-squared	0.311016	S.D. dependent var		0.811626
S.E. of regression	0.672099	Sum squared resid		281.4195
F-statistic	3.005169	Durbin-Watson stat		2.310293
Prob(F-statistic)	0.000000			
	Unweighted Statistics			
R-squared	0.207147	Mean dependent var		-0.000564
Sum squared resid	344.2552	Durbin-Watson stat		2.779688

The fourth hypothesis test

Executive cash compensation has a significant effect on Firm value Decrease.

H_0: Executive cash compensation does not have a significant effect on Firm value Decrease.

H_0: $\beta i = 0$

H_1: Executive cash compensation has a significant effect on Firm value Decrease.

H_1: $\beta i \neq 0$

According to the results Fixed Effects test and P-value (0.0000), the H_0 hypothesis test at the level of confidence 95% was rejected, and Panel Data approachcan be used. Also, according to the results of hausman test and P-value (0.6586) which is more than (0.05), the H_0 hypothesis test at the level of confidence 95% was accepted, and the H_1 hypothesis was rejected. Given that the level of no significant regression model with random effects, so it is a meaningful model using fixed effects approach. The results of these tests are presented in Table 11 and Table 12.

Table 11. Redundant Fixed Effects Tests of Model 4

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.016134	(160,623)	0.0000

Table 12. Correlated Random Effects - Hausman Test of Model 4

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.847476	21	0.6586

The amount of P-value related to the statistics Prob (F-statistic) that expresses the meaningfulness of the regression is equal to 0.000000 and indicate that the model is

meaningful at the confidence level of 99%. Also, the Durbin-Watson Test of 1.5 to 2. 5 is appropriate. Due to the Surface significant, variable (Executive cash compensation), which is equal to (0. 0217) which is less than 0. 05. And it can be said: Executive cash compensation has a significant effect on Firm value Decrease. The results of these tests are presented in Table 13.

Table 13. Model 4, Dependent Variable: R_RP, Method: Panel EGLS (Cross-section weights)

Dependent Variable: R_RP				
Method: Panel EGLS (Cross-section weights)				
Date: 08/31/19 Time: 18:17				
Sample: 2013 2017				
Periods included: 5				
Cross-sections included: 161				
Total panel (balanced) observations: 805				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INCOMP	-0.071529	0.031073	-2.301945	0.0217
BR	0.092685	0.087634	1.057629	0.2906
CHANGE_OI	-1.72E-09	1.95E-08	-0.088113	0.9298
NEGOI	-0.020082	0.077708	-0.258433	0.7962
CF	-2.80E-09	2.05E-08	-0.136385	0.8916
_11NEGCF	0.167098	0.078987	2.115508	0.0348
CF_1	3.21E-08	1.79E-08	1.795343	0.0731
CHANGE_CF	-0.167353	0.078260	-2.138406	0.0329
LNMV	0.000223	0.024380	0.009152	0.9927
DEBT	-0.044911	0.074650	-0.601624	0.5476
GROWTH	-8.19E-05	0.000159	-0.516423	0.6057
EPS	-4.06E-05	6.99E-05	-0.580832	0.5616
EPS_1	4.40E-05	7.80E-05	0.564314	0.5727
EPS_2	0.000146	7.08E-05	2.055752	0.0402
R3	-0.027428	0.035466	-0.773361	0.4396
LOSS	-0.515306	0.152240	-3.384828	0.0008
PPE	1.09E-08	9.01E-09	1.214823	0.2249
MVA	0.158184	0.033665	4.698774	0.0000
SALE_ADMIN	-1.80E-07	6.03E-08	-2.977875	0.0030
OPA	-0.053251	0.011920	-4.467269	0.0000
INSALES	-0.075349	0.066673	-1.130114	0.2589
C	2.573006	0.991385	2.595364	0.0097
	Effects Specification			
Cross-section fixed (dummy variables)				
	Weighted Statistics			
R-squared	0.398111	Mean dependent var		4.692130
Adjusted R-squared	0.223245	S.D. dependent var		3.331475
S.E. of regression	1.406899	Sum squared resid		1233.144

F-statistic	2.276658	Durbin-Watson stat	2.056456
Prob(F-statistic)	0.000000		
	Unweighted Statistics		
R-squared	0.236269	Mean dependent var	3.367993
Sum squared resid	1264.057	Durbin-Watson stat	2.077284

CONCLUSION

The results of the research hypothesis test at the Companies of sample research are as follow:

- Corporate Governance has a significant and negative impact on the Executive cash compensation.

As observed, the amount of P-value related to the statistics Prob (F-statistic) that expresses the meaningfulness of the regression which is equal to 0.000000, and indicates that the modelis meaningful at the confidence level of 99%. Also, the Durbin-Watson Test of 1.5 to 2. 5 is appropriate. Due to the Surface significant, variable (Corporate Governance), which is equal to (0. 0132) that less than 0. 05, therefore, the first research hypothesis is confirmed. And it can be said: Corporate Governance has a significant and negative impact on the Executive cash compensation.

Executive cash compensation has a significant negative effect on interest smoothing.

As observed, the amount of P-value related to the statistics Prob (F-statistic) that expresses the meaningfulness of the regression is equal to 0.000000 and indicates that the model is meaningful at the confidence level of 99%. Also, the Durbin-Watson Test of 1.5 to 2. 5 is appropriate. Due to the Surface significant, variable (Executive cash compensation), which is equal to (0. 3973) which is more than 0. 05; therefore, it can be said: Executive cash compensation does not have a significant negative effect on interest smoothing.

- Executive cash compensation has a positive and significant effect on Discretionary accruals.

As observed, the amount of P-value related to the statistics Prob (F-statistic) that expresses the meaning fulness of the regression is equal to 0.000000 and indicates that the modelis meaningful at the confidence level of 99%. Also, the Durbin-Watson Test of 1.5 to 2. 5 is appropriate. Due to the Surface significant, variable (Executive cash compensation), which is equal to (0. 0005) that is less than 0. 05; But the T- statistics and Executive cash compensation has been negative. And it can be said: Executive cash compensation does not have a positive and significant effect on Discretionary accruals.

- Executive cash compensation has a significant effect on Firm value Decrease.

As observed, the amount of P-value related to the statistics Prob (F-statistic) that expresses the meaningfulness of the regression which is equal to 0.000000, and indicates that the model is meaningful at the confidence level of 99%. Also, the Durbin-Watson Test of 1.5 to 2. 5 is appropriate. Due to the Surface significant, variable (Executive cash compensation), which is equal to (0. 0217) which is less than 0. 05. And it can be said: Executive cash compensation has a significant effect on Firm value Decrease.

The results of the first and fourth hypotheses of this study are consistent with the study of Iatridis (2018) but do not match with Lazzem and Faouzi (2017), Gombola et al. (2016), Chen et al. (2015), Kannan et al. (2014).

Suggestions

Suggestions Based on Research Results

1) Therefore, investors and others are advised to pay more attention to Corporate governance in General Assembly Report and reporting on Board activities. In addition, due to economic sanctions, more attention should be paid to the employees currency reward and members of the board of directors.
2) Analysts and researchers can re-test interest management through real items. The Stock Exchange also knows that the issue of Executive cash compensation in environmental conditions in financial reports in the coming years is required.
3) The Stock Exchange investors and other stakeholders should pay more attention to the value criteria of the institute.

Suggestions for future research

1) Doing research on this issue in the field of institutions accepted in OTC.
2) Review of research by considering the variables like: Political communication and the life cycle of the institute.
3) Review of the research by considering the variables like: inflation Uncertainty, exchange rate fluctuations.
4) Review of the research on the classification to keep cash of the Institutes (The national unit, Foreign Exchange) on domestic and foreign banks.

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